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## In our opinion... , vol. 15 no. 2, April 1999

American Institute of Certified Public Accountants. Audit and Attest Standards Team

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# In Our Opinion...

The Newsletter of the AICPA Audit and Attest Standards Team

Vol. 15 No. 2

April 1999

## ASB Issues Omnibus ED

By Judith M. Sherinsky

In April the Auditing Standards Board (ASB) issued an omnibus exposure draft of a proposed Statement on Auditing Standards (SAS) titled *Audit Adjustments, Reporting on Consistency, and Service Organizations (Omnibus Statement on Auditing Standards—1999)*. An omnibus SAS addresses several unrelated topics. The proposed SAS provides guidance to auditors in the following three areas:

1. Management's responsibility for the disposition of financial statement misstatements brought to its attention (Audit Adjustments)
2. Changes in the reporting entity that require a consistency explanatory paragraph in the auditor's report (Reporting on Consistency)
3. Determining whether information about a service organization's controls is needed to plan the audit (Service Organizations)

### Audit Adjustments

The amendments in the first part of this proposed SAS address a concern raised by the Securities and Exchange Commission about the quality of financial reporting. They establish audit requirements intended to encourage audit clients to record financial statement adjustments proposed by auditors in audits of financial statements. To accomplish this objective, the proposed SAS —

1. Adds an item to the list of matters generally addressed in the understanding with the client

(the engagement letter). The new item states that management is responsible for adjusting the financial statements to correct material misstatements and for affirming to the auditor in the representation letter that the effects of any uncorrected misstatements brought to its attention by the auditor are not material, both individually and in the aggregate, to the financial statements taken as a whole. (Amends AU section 310.06 of SAS No. 1, *Codification of Auditing Standards and Procedures*, as amended by SAS No. 83, *Establishing an Understanding With the Client*.)

2. Requires the auditor to obtain, in the management representation letter, management's acknowledgement that it has considered the financial statement misstatements brought to its attention by the auditor and has concluded that any uncorrected misstatements are not material, both individually and in the aggregate, to the financial statements taken as a whole. It also requires that a summary of the uncorrected misstatements be included in the representation letter or in an attachment thereto. (Amends SAS No. 85, *Management Representations*.)
3. Requires the auditor to inform the audit committee about uncorrected misstatements brought to management's attention by the auditor that were determined by management to be immaterial, both individually and in the aggregate.

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## ASB Issues Omnibus ED *(continued from page 1)*

gate, to the financial statements taken as a whole. (Amends SAS No. 61, *Communication with Audit Committees*.)

### Reporting on Consistency

The amendments in the second part of the proposed SAS clarify which changes in a reporting entity warrant a consistency explanatory paragraph in the auditor's report. They amend AU section 420, "Consistency of Application of Generally Accepted Accounting Principles," to—

1. Conform the list in AU section 420.07 of changes that constitute a change in the reporting entity to the guidance in paragraph 12 of Accounting Principles Board Opinion No. 20, *Accounting Changes*.
2. Clarify that the auditor need not add a consistency explanatory paragraph to the auditor's report when a change in the reporting entity results from a transaction or event, such as the purchase or disposition of a subsidiary.
3. Eliminate the requirement to add a consistency explanatory paragraph to the auditor's report when a pooling of interests is not accounted for retroactively in comparative financial statements. (However, in these circumstances the auditor would still be required to express a qualified or adverse opinion because of the departure from generally accepted accounting principles.)
4. Eliminate the requirement to qualify the auditor's report and consider adding a consistency explanatory paragraph to the report if single year financial statements that report a pooling of interests do not disclose combined information for the prior year.

### Service Organizations

The amendments in the third part of the proposed SAS are intended to help auditors determine what additional information they might need when auditing the financial statements of an entity that uses a service organization to process transactions. An example of a service organization is the trust department of a bank that invests and holds assets for an entity and generates information about those assets that is incorporated in the entity's financial statements. The proposed SAS amends SAS No. 70, *Reports on the Processing of Transactions by Service Organizations*, to —

1. Clarify the applicability of SAS No. 70 by stating that the SAS is applicable when the audited entity obtains services from another organization that are part of the entity's "information system." It also provides guidance on the types of services that would be considered part of an entity's information system.
2. Revise and clarify the factors a user auditor considers in determining the significance of a service organization's controls to a user organization's controls.
3. Clarify the guidance on determining whether information about a service organization's controls is necessary to plan the audit.
4. Clarify that information about a service organization's controls may be obtained from a variety of sources.
5. Change the title of SAS No. 70 from *Reports on the Processing of Transactions by Service Organizations* to *Service Organizations*.

The exposure draft is available on the AICPA's Web site at <http://www.aicpa.org/members/div/auditstd/adjindex.htm> or can be obtained by calling the AICPA Order Department at (888)777-7077 and requesting product number 800128. ♦

## Continuous Auditing Study Published

By Julie Anne Dilley

**C**ontinuous Auditing, a joint project of the Canadian Institute of Chartered Accountants (CICA) and the ASB, explores the concept, issues, and viability of providing continuous assurance services. The study defines continuous auditing as a methodology that

enables the auditor to provide assurance on a subject matter simultaneously with, or very shortly after, the occurrence of events underlying the subject matter.

The report discusses how planning, performing, and reporting on a hypothetical continuous

audit engagement might occur within the context of existing U.S. and Canadian assurance standards. The case study focuses on characteristics that distinguish continuous audits from other kinds of audits. Significant differences include the need for highly reliable

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## Continuous Auditing Study Published *(continued from page 2)*

automated systems providing the subject matter, and the ability to obtain audit evidence using highly automated audit tools and techniques that are integrated with the entity's systems and controls. The case study also illustrates how the provision of continuous audits may challenge the requirements of existing assurance standards.

The report identifies areas where further research is needed for continuous audit services to evolve, including—

- ◆ The subject matter (types of information, systems and processes, or behavior) on which users are most likely to want continuous assurance to enhance decision-making.

- ◆ The ability to obtain sufficient evidence to support an opinion when it may not be practicable to readily access external sources or to wait for subsequent events to occur.

- ◆ How the nature of the subject matter and the need to report continuously may affect the way auditors determine materiality and audit risk.

- ◆ The feasibility of using automated audit tools and techniques to obtain sufficient evidence for “soft” information, for example, estimates.

- ◆ The viability of other continuous services such as reviews or agreed-upon procedures.

In exploring the issues likely to be encountered in providing contin-

uous assurance, the study takes a first step in moving the profession toward what the Elliott Committee called “a new audit paradigm” characterized by “a set of real time financial and non-financial information accompanied by continuous assurance.” This fall, the ASB will take another step in that direction by hosting a roundtable on continuous auditing for diverse interested parties to further explore the issues and to identify specific coordinated actions to be taken.

*Continuous Auditing* will be available in May and can be obtained by calling the AICPA Order Department and requesting product number 022510. ♦

## IAPC Proposes Standard on Assurance Engagements

By Thomas Ray

In March 1999, the International Auditing Practices Committee (IAPC) of the International Federation of Accountants voted to expose for comment a proposed International Standard on Assurance Engagements. This initiative recognizes the increasing demand for information on a broad range of subject matter to meet the needs of decision makers, and the consequent need in both the private and public sectors for services that enhance the credibility of that information.

The proposed standard has several objectives. It is intended to serve as an overarching framework over existing standards and guidance on the provision of assurance on financial and other information. Thus, International Standards on Auditing are included under this framework. The proposed standard also is intended to act as a framework for the future development by the IAPC of specific standards for particular types of assurance engagements. For example, the IAPC recently undertook a project to develop guidance for providing assurance on entities' environmental reports. Finally, the proposal is intended to provide professional accountants with standards and guidance for performing and

reporting on the results of emerging and unique assurance engagements for which specific standards and guidance have not yet been developed.

Significantly, the proposed standard provides a framework for the provision of assurance on a broad range of subject matter. Until now, the IAPC has issued standards and guidance principally on the provision of assurance on entities' financial statements. Thus, the proposal is relevant to the Auditing Standards Board's (ASB) initiatives to improve the utility of the attestation standards. (The attestation standards, originally issued in 1986, allow CPAs to express conclusions about the reliability of written assertions on subject matter other than historical financial statements. The ASB expects to issue a significant proposal to amend these standards this year.) As a part of this, the ASB is considering the need to develop a framework to encompass the auditing and attestation standards, and the revised IAPC proposal may provide a starting point.

This proposal is the result of an extensive IAPC project and an earlier proposal. In August 1997, the IAPC issued a proposed Framework and International

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## IAPC Proposes Standard on Assurance Engagements

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Standard, *Reporting on the Credibility of Information*. The 1997 proposal set out for discussion a framework and set of general principles as a basis for professional standards governing the provision of a broad range of assurance services provided by professional accountants. The IAPC received strong support for the proposal's objectives. Respondents also raised several significant concerns on specific aspects of the proposal. In response, the IAPC made some significant changes to the 1997 proposal and decided to issue a revised proposal for public exposure and comment. Some of the more significant changes are described below.

**Title.** The title was changed to recognize that the provision of "assurance" is the main feature relevant to these engagements and that this term already is widely used in this context.

**Organization.** The 1997 proposal was organized in three sections—an Explanatory Memorandum, the Framework and the General Principles. The IAPC combined the documents to achieve a more integrated approach and to enhance precision and clarity.

**Level of assurance.** The 1997 proposal allowed for an infinite range of assurance based on the interaction of four variables: subject matter, criteria, engagement pro-

cess, and quality of evidence. Although this was viewed as conceptually sound, many respondents found it impractical and unworkable. The primary cause of that concern was the perceived difficulty in being able to clearly communicate these many different levels of assurance to report users. The IAPC acknowledges that there needs to be some certainty associated with reporting to avoid "expectation gap" issues, and the revised proposal limits the assurance a professional accountant may provide to two levels: audit (high) and review (moderate).

**Reporting.** Consistent with the 1997 proposal, the IAPC requires that certain elements be included in assurance reports, including a clear statement of the level of assurance that is being provided. However, the IAPC decided not to present illustrative reports in the revised proposal because it does not support standardized reporting.

The proposal is available on IFAC's Web site at <http://www.ifac.org>. Comments should be addressed in writing to Director General, International Federation of Accountants, 535 Fifth Avenue, 26th Floor, New York, NY 10017. E-mail responses should be sent to [EDComments@ifac.org](mailto:EDComments@ifac.org). The comment period ends on July 1, 1999. ♦

## Providing Assurance on a System's Reliability

By Judith M. Sherinsky

Data processing systems have become increasingly complex and integrated, and the number and materiality of the transactions processed by such systems continues to increase. To respond to the needs of management and customers for assurance on the reliability of such systems, the AICPA and the Canadian Institute of Chartered Accountants (CICA) have joined forces in developing a new attestation service called SysTrust.

SysTrust is a service crafted under the attestation standards in which the CPA performs procedures to determine whether the controls over a system are operating with sufficient effectiveness to enable the system to function reli-

ably. A reliable system is defined as one that is capable of operating without material impairment during a specified period in a specified environment. All attestation engagements require that there be objective and measurable criteria against which the assertion or subject matter of the engagement can be evaluated. SysTrust uses the following four criteria to determine whether a system is reliable:

**Availability** refers to whether the system operates and provides information in accordance with the specified requirements of that system, and whether the system is accessible for routine processing and maintenance.

**Security** refers to whether the system is protected against unau-

thorized physical and electronic access. Restricting access to a system prevents potential abuses of system components, theft of system resources, misuse of system software, and improper access to private and confidential information. Security also refers to restrictions on the type of information that can be stored and the use of the information captured by the system.

**Integrity** refers to whether the system processes the information it receives completely, accurately, promptly, and in accordance with the required authorizations.

**Maintainability** refers to the entity's ability to make changes to the system in a manner that supports

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# Highlights of Technical Activities

The Auditing Standards Board (ASB) performs its work through task forces composed of members of the ASB and others with technical expertise in the subject matter of the project. The findings of the task forces periodically are presented to the ASB for their review and discussion. Listed below are the current task forces of the ASB and a brief summary of their objectives and activities.

## SAS and SSAE Task Forces

**Attestable Criteria Task Force** (Staff Liaison: Judith M. Sherinsky; Task Force Chair: George H. Tucker). The task force has revised paragraphs 11-21 of Statement on Standards for Attestation Engagements (SSAE) No. 1, *Attestation Standards*, which address the criteria for attestation engagements. The objective of the task force was to improve and clarify the guidance on criteria to make it easier for practitioners to craft new engagements under the attestation standards. The ASB tentatively concluded that the attributes of reasonable criteria presented in the draft (objectivity, measurability, completeness, and representational faithfulness) are appropriate. The task force will begin to develop nonauthoritative implementation guidance to help management and practitioners develop criteria for attestation engagements.

**Attestation Recodification Task Force — Revision of Standards** (Staff Liaison: Jane M. Mancino; Task Force Chair: Charles E. Landes). The task force is examining the SSAEs to improve their understandability and utility. The task force has developed a proposed new definition of an attest engagement to be incorporated into AT section 100, *Attestation Standards*. The key concepts of that proposed definition are the following:

- ◆ The definition of an attest engagement is engagement-driven rather than association-driven
- ◆ The practitioner is engaged to provide a written examination, review, or agreed-upon procedures report

- ◆ The engagement may relate to either an assertion or subject matter
- ◆ The definition incorporates the concept of a responsible party, rather than requiring the practitioner to obtain a written assertion

The ASB concluded that (1) if the party responsible for the subject matter or the assertion is not willing to acknowledge that responsibility to the practitioner in writing, the practitioner should include a statement of that fact in the attest report and (2) the proposed amendment to the *Attestation Standards* should include language carving out reports that contain wording that is very similar to that contained in attest reports.

**Financial Distress** (Staff Liaison: Judith M. Sherinsky; Task Force Chair: Deborah D. Lambert). A working group consisting of representatives of the Accounting Standards Executive Committee, the ASB, the Financial Accounting Standards Board, and the Technical Issues Committee is developing a prospectus for a project to be undertaken by accounting and auditing standards setters for new or revised guidance that addresses accounting and auditing issues surrounding the issue of financial distress. The objective of such a project would be to improve the quality of information available to users of financial statements of entities experiencing financial distress. Following are some of the questions being considered by the task force:

- ◆ Should additional disclosures be required in the financial statements of entities using the going concern assumption in their application of GAAP but experiencing financial distress?
- ◆ Should differing degrees in the severity of financial distress trigger different disclosures?
- ◆ When is the use of the liquidation basis of accounting appropriate as GAAP in lieu of the going concern assumption?

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## Providing Assurance on a System's Reliability (continued from page 4)

current and future reliability. The system should be able to be updated so that it continues to provide system availability, security, and integrity.

The SysTrust material is still being refined; however, the most recent ver-

sion of the material includes detailed subcriteria and illustrative controls that an entity might have in place to meet the four criteria. SysTrust is a project of the AICPA's Assurance Services Executive Committee and the

CICA's Assurance Services Development Board. For additional information about this project, contact Anthony J. Pugliese, AICPA Director, Assurance Services or Erin Mackler, AICPA Technical Manager. ◆



## Highlights of Technical Activities *(continued from page 5)*

- ◆ Is additional accounting guidance on the application of the liquidation basis of accounting needed?
- ◆ What modifications to SAS No. 59, *The Auditors' Consideration of an Entity's Ability to Continue as a Going Concern*, would be appropriate to coordinate the reporting guidance for auditors of companies experiencing financial distress with new or revised financial reporting guidance.

**Financial Instruments Task Force** (Staff Liaison: Judith M. Sherinsky; Task Force Chair: Stephen D. Holton). The task force drafted a proposed SAS titled *Auditing Financial Instruments* that would supersede SAS No. 81, *Auditing Investments*. The new SAS provides a framework for auditing all financial instruments. The November 1999 draft of the proposed SAS was circulated to various AICPA industry committees for comment and revised to reflect some of those comments. The ASB discussed the revised draft at its April 1999 meeting and voted to ballot the draft for issuance as an exposure draft. The task force is concurrently working on nonauthoritative implementation guidance that will serve as a companion to the SAS, and expects to place information about that guidance on the AICPA's Web site in June.

**Omnibus SAS Task Force** — (Staff Liaison: Judith M. Sherinsky; Task Force Chair: Richard Dieter). This task force originally was called the Audit Adjustments Task Force but has been renamed the Omnibus SAS Task Force because in April it issued an exposure draft of a proposed SAS that not only includes the recommendations of the Audit Adjustments Task Force but also includes certain proposed amendments to the SASs recommended by the Reporting on Consistency and Financial Instruments Task Forces. For additional information see, "ASB Issues Omnibus ED," on page 1.

### Other Task Forces and Committees

**Accounting and Review Services Committee (ARSC)** (Staff Liaisons: Kim M. Gibson/Judith M. Sherinsky; Committee Chair: Diane S. Conant). The

ARSC has revised the illustrative representation letter for review engagements performed under Statements on Standards for Accounting and Review Services to reflect recently issued accounting standards. The revised letter is available on the AICPA's Web site at [www.aicpa.org/members/div/auditstd/index.htm](http://www.aicpa.org/members/div/auditstd/index.htm) and can be obtained from the fax hotline by requesting document number 470.

**Audit Issues Task Force** (Staff Liaison: Julie Anne Dilley; Task Force Chair: Deborah D. Lambert). The task force meets on a monthly basis to (1) oversee the ASB's planning process, (2) evaluate technical issues raised by various constituencies and determine their appropriate disposition, including referral to an ASB task force or development of an interpretation or other guidance; (3) address emerging audit and attestation practice issues and provide guidance for communication, as necessary, (4) provide advice on ASB task force objectives and composition and monitor the progress of task forces, and (5) assist the ASB Chair and the Audit and Attest Standards staff in carrying out their functions, including liaison with other groups.

**Auditing Revenues Steering Task Force** (Staff Liaison: Julie Anne Dilley; Task Force Chair: Robert C. Steiner). The task force will oversee the development of a guide on auditing revenue in certain industries that are not covered by existing AICPA Audit and Accounting Guides. The focus will be on the identification of industry-specific issues that present audit risks in revenue recognition, and suggested auditing procedures to address them. The task force will seek input from practitioners and others to identify industries for which guidance on auditing revenues is believed to be most needed. Industries identified for consideration thus far include computer software, high technology, service industries, entertainment, and biotech. The task force also will identify practitioners who will provide AICPA staff or an outside author with the information necessary to develop the guidance. Finally, the task force will review the guidance.

**Computer Auditing Subcommittee (CAS)** (Staff Liaison: Jane M. Mancino; Subcommittee Chair: Carol

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## Ordering Information

**To order publications**, call: (888) 777-7077 (menu selection #1); write: AICPA Order Department, CLA3, P.O. Box 2209, Jersey City, NJ 07303-2209; or fax: (800) 362-5066. AICPA members should have their membership numbers ready when they call. Non-members may also order AICPA products. Prices do not include shipping and handling.

## Highlights of Technical Activities *(continued from page 6)*

A. Langelier). The Subcommittee is (1) reviewing the Quality Control Standards for any IT impact; and (2) providing input on development of a publication that will provide helpful guidance on auditing in an E-commerce environment. The CAS held its annual planning process at its April meeting and expects to take on additional projects shortly.

**Continuous Auditing Steering Task Force** (Staff Liaisons: Julie Anne Dilley and Jane Mancino; Task Force Chair: Keith O. Newton). The task force will plan and hold a "round table" of interested parties to further identify and explore the concept of continuous auditing or continuous assurance. The intended outcome of the round table is to identify specific coordinated actions to be taken by different interested parties to move continuous auditing from a concept to a valuable and viable service. It is anticipated that the interested parties would represent a diverse group representing groups such as external auditors, internal auditors, information technology specialists, users, audit/attest standard setters, assurance services committee/developers of new services and others to be identified.

**FASB 125 Audit Issues Task Force** (Staff Liaison: Julie Anne Dilley; Task Force Chair: Tracey Barber). The task force will develop auditing guidance that addresses the use of legal interpretations as evidential matter for transfers of financial assets by banks for which a receiver, if appointed, would be the Federal Deposit Insurance Corporation (FDIC) or its designee. One of the criteria for a transfer of financial assets to be accounted for as a sale under Statement of Financial Accounting Standards No. 125, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities*, is that the transferred assets have been isolated from the transferor and its creditors, even in bankruptcy or other receivership. The task force recently drafted an ASB comment letter on the FDIC's proposed *Statement of Policy Regarding Treatment of Securitizations and Loan Participations After Appointment of the Federal Deposit Insurance Corporation as Conservator or Receiver*. The comment letter states that it is the ASB's understanding that legal specialists will not be able to render opinions that provide reasonable assurance that the legal isolation requirement is met under the proposed FDIC Statement of Policy because it does not provide that transactions consummated in reliance thereon will not be subject to repudiation on a retroactive basis in the event the Statement of Policy is changed subsequent to its adoption.

**Fraud Standard Steering Task Force** (Staff Liaison: Jane Mancino; Task Force Chair: Andrew J. Capelli) In October 1998, a Request for Proposals was issued for academic research on the effectiveness of SAS No. 82, *Consideration of Fraud in a Financial Statement Audit*. Out of the 25 proposals received the following four were selected:

- ◆ *A Research Proposal for Assessing the Effectiveness of SAS No. 82*, by Steven Glover and Douglas Prawitt of Brigham Young University, Joseph J. Schultz of Arizona State University, and Mark Zimbelman of the University of Oklahoma
- ◆ *Audit Fraud Risk Assessment Information and Its Relationship to Audit Programs*, by Theodore Mock of the University of Southern California and Jerry L. Turner of Florida International University.
- ◆ *The Impact of a Standard Audit Program and Management Strategic Behavior on the Planning of Fraud Detection Procedures*, by Steven K. Asare of the University of Florida and Arnie Wright of Boston College
- ◆ An untitled proposal by Barbara Apostolou of Louisiana State University and John M. Hassell of Indiana University. They propose to provide information about the relative importance to auditors of the SAS No. 82 risk factors for assessing the risk of management fraud.

The Auditing Standards Board plans to discuss the results of the research at a meeting early in the year 2000.

**International Auditing Practices Committee (IAPC)** (U.S. Member: Robert Roussey; U.S. Technical Advisors: Thomas Ray and John Archambault). The current agenda of the IAPC includes developing a framework for all assurance engagements, including assurance on financial and nonfinancial information, and revising the International Standards on Auditing (ISAs) that address going concern, confirmations, and fraud. The IAPC has recently added projects on auditing derivative financial instruments and reporting on internal control to its active agenda. An analysis comparing the ISAs with the SASs that identifies instances in which the ISAs specify procedures not specified by U. S. auditing standards is included in Appendix B of the *Codification of Statements on Auditing Standards*.

**International Auditing Standards Subcommittee** (Staff Liaison: Gretchen Fischbach; Subcommittee Chair: James S. Gerson). The ASB created this subcom-

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## Highlights of Technical Activities *(continued from page 7)*

mittee to support the development of international standards. Subcommittee activities include providing technical advice and support to the AICPA representative and technical advisors to the IAPC, commenting on exposure drafts of international assurance standards, participating in and identifying U.S. volunteer participants for international standards-setting projects, identifying opportunities for establishing joint standards with other standards setters, identifying international issues that affect auditing and attestation standards and practices, and assisting the ASB and other AICPA committees in developing and implementing AICPA international strategies.

**Investment Performance Statistics Task Force** (Staff Liaison: Julie Anne Dilley; Task Force Chair: Karyn Vincent). The task force will draft an auditing Statement of Position that provides performance and reporting guidance on investment performance statistics engagements performed in accordance with standards established by the Association of Investment Management and Research (AIMR) and with other established or stated criteria. The task force is working with AIMR to develop the “core” assertions that define an entity’s compliance and to which the auditor will attest. The guidance will supersede the existing Notices to Practitioners on this subject matter.

**Joint Task Force on Quality Control Standards — Accounting and Auditing** (Staff Liaison: Anthony J. Pugliese; Task Force Chair: Barry Barber). The task force developed a proposed amendment of Statement on Quality Control Standards (SQCS) No. 2 that incorporates an experience requirement for performing professional services under the SASs, SSARSs, and SSAEs. The need to incorporate an experience requirement in professional standards became relevant when the final version of the Uniform Accountancy Act (UAA) was issued in January 1998 because UAA 7-2 states that “any individual licensee who is responsible for supervising attest services and signs or authorizes someone to sign the accountant’s report shall meet the experience requirements set out in the professional standards for such services.” The amendment incorporates the concept of auditors meeting certain minimum competencies and focuses on individuals who assume responsibility for signing attest reports. At its meeting in April 1999, the ASB voted to expose the proposed amendment for comment. The exposure draft should be available on the AICPA’s Web site by the end of May. Conforming changes also will be made to the *Guide for Establishing and Maintaining a System of Quality Control for a CPA Firm’s Accounting and Auditing Practice*.

**SEC Auditing Practice** (Staff Liaison: Jane M. Mancino; Task Force Chair: Stephen J. Lis). The task force monitors regulatory developments affecting accountants’ involvement with financial information in filings with the Securities and Exchange Commission (SEC). It considers the need for, and develops as necessary, guidance in the form of SASs, SSAEs, auditing interpretations, or guides. Liaison with the SEC is maintained through the Audit Issues Task Force.

**Technical Audit Advisors Task Force** (Task Force Chair: Judith M. Sherinsky). The task force receives assignments, on an on-going basis, from the Audit and Attest Standards staff and the Audit Issues Task Force. In the next quarter, the task force will be researching the topics of workpaper documentation and dating of the independent auditor’s report.

### Auditing Practice Releases (APRs)

Auditing Practice Releases are designed to provide auditors with practical guidance to assist them in applying generally accepted auditing standards in audits of financial statements.

**Analytical Procedures** (Kim M. Gibson). This APR is designed to help practitioners effectively use analytical procedures. It includes a description of how analytical procedures are used in audit engagements, relevant questions and answers, and case studies, including a case study using regression analysis. The APR is currently available and can be obtained from the AICPA Order Department by requesting product number 021069.

**Audit Sampling** (Gretchen Fischbach). This APR will supersede the existing audit guide, *Audit Sampling*, and has been revised to reflect recently issued auditing standards. The APR will be available in the second quarter of 1999.

**Service Organizations: Applying SAS No. 70** (Judith M. Sherinsky). This APR provides guidance to service auditors engaged to issue reports on a service organization’s controls that may affect a user organization’s internal control as it relates to an audit of financial statements. It also provides guidance to user auditors engaged to audit the financial statements of entities that use service organizations. This APR supersedes the existing auditing procedure study, *Implementing SAS No. 70, Reports on the Processing of Transactions by Service Organizations*, and can be obtained from the AICPA Order Department by requesting product number 060457. ♦

## Projected Status of ASB Projects

**Codes:** DI—Discussion of issues, DD—Discussion of draft document, ED—Vote to ballot a document for exposure, EP—Exposure Period, CL—Discussion of comment letters, FI—Vote to ballot a document for final issuance, SU—Status Update.

Project	ASB Meeting Date		
	June 2–3 1999 New York, NY	July 20–22, 1999 New York, NY	Sept. 22–24 1999 Tucson, AZ
Attestation Recodification — Revision of Standards	DD	ED	EP
Financial Instruments	EP	EP	CL
Financial Instruments — Implementation Guidance	DI	DI	DI
Financial Distress	SU	SU	
Fraud	SU		
Audit Adjustments, Reporting on Consistency, and Service Organizations (Omnibus SAS —1999)	EP	EP	FI
Quality Control Standards	EP	EP	

## Recently Issued and Approved Documents

Title (Product Number)	Issue Date	Effective Date
<b>Statements on Auditing Standards (SASs)</b>		
SAS No. 87, <i>Restricting the Use of an Auditor's Report</i> (060689)	September 1998	Effective for reports issued after December 31, 1998
<b>Statements on Standards for Attestation Engagements (SSAEs)</b>		
SSAE No. 9, <i>Amendments to SSAE Nos. 1, 2 and 3</i> (023027)	January 1999	Effective for reports issued on or after June 30, 1999
<b>Interpretations of SASs</b>		
Interpretation of SAS No. 59, <i>The Auditor's Consideration of an Entity's Ability to Continue as a Going Concern</i> titled, "Effect of the Year 2000 Issue on the Auditor's Consideration of an Entity's Ability to Continue as a Going Concern"	July 1998	Interpretations are effective upon publication in the <i>Journal of Accountancy</i> . This interpretation was published in the July 1998 <i>Journal of Accountancy</i> .
Interpretation of SAS No. 31, <i>Evidential Matter</i> , titled "Applying Auditing Procedures to Segment Disclosures in Financial Statements"	August 1998	August 1998
Interpretation of SAS No. 72, <i>Letters for Underwriters and Certain Other Requesting Parties</i> titled "Commenting in a Comfort Letter on Quantitative Disclosures About Market Risk Made in Accordance with Item 305 of Regulation S-K"	August 1998	August 1998
Amended Interpretation of SAS No. 73, <i>Using the Work of a Specialist</i> , titled "The Use of Legal Interpretations As Evidential Matter to Support Management's Assertion That a Transfer of Financial Assets Has Met the Isolation Criterion in Paragraph 9(a) of Statement of Financial Accounting Standards No. 125"	October 1998	October 1998

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## AICPA Audit and Attest Standards Staff

Name	Title	E-mail address
Thomas Ray	Director	tray@aicpa.org
Julie Anne Dilley	Technical Manager	jdilley@aicpa.org
Gretchen Fischbach	Technical Manager	gfischbach@aicpa.org
Kim M. Gibson	Technical Manager	kgibson@aicpa.org
Jane M. Mancino	Technical Manager	jmancino@aicpa.org
Judith M. Sherinsky	Technical Manager	jsherinsky@aicpa.org
Sherry P. Boothe	Administrative Secretary	sboothe@aicpa.org
Jacqueline E. Walker	Administrative Assistant	jwalker@aicpa.org

*For additional information about projects of the Audit and Attest Standards Staff and the ASB,  
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